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**RECOGNIZING  
THE IDEAL  
COOPERATIVE  
DIRECTOR** f

BY IRWIN W. RUST //

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FARMER COOPERATIVE SERVICE  
U.S. DEPARTMENT OF AGRICULTURE //

**FARMER COOPERATIVE SERVICE**  
**U. S. DEPARTMENT OF AGRICULTURE**  
**WASHINGTON, D. C. 20250**

**Joseph G. Knapp, Administrator**

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies, confers and advises with officials of farmer cooperatives, and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

## **Foreword**

**This is one of a series of circulars on cooperative directors. These are based on information developed during the 1964 member relations conferences sponsored jointly by Farmer Cooperative Service and the American Institute of Cooperation. The theme of the conferences was "The Director's Role in Member Relations."**

**This circular is intended to stimulate thinking rather than to give answers to specific problems. The ideas expressed represent opinions of responsible cooperative leaders, educators, and others, based for the most part on their own experiences in day-to-day operating situations.**

**Most of the material was taken from speeches given at the 1964 member relations conferences or from ideas brought out during discussion periods. The following cooperative leaders presented many of the ideas expressed in this circular.**

**T. Meade Baker, Vice President and  
Secretary  
Federal Land Bank of Columbia  
Columbia, South Carolina**

**Arthur Corse, Manager  
Sunray Cooperative  
Sunray, Texas**

**Paul Erb, President  
Farmers Elevator Service Company  
Rudd, Iowa**

**Hal Hellebust, Executive Secretary  
Kansas Cooperative Council  
Topeka, Kansas**

**Howell Hughes, Vice President  
Springfield Bank for Cooperatives  
Springfield, Massachusetts**

**Lawrence F. Jones, Executive Secretary  
Wisconsin Association of Cooperatives  
Madison, Wisconsin**

Harry F. Laszewski, Membership Relations  
Pure Milk Products Cooperative  
Fond du Lac, Wisconsin

Peter E. May, Assistant General Manager  
Equity Cooperative Livestock Sales Association  
Milwaukee, Wisconsin

Jack S. Peters, Manager, Membership Division  
Florida Fruit and Vegetable Association  
Orlando, Florida

Allen E. Peterson, Director  
Member and Public Relations  
Badger Breeders Cooperative  
Shawano, Wisconsin

Gilbert K. Terpening  
Vice President and Secretary  
Wichita Bank for Cooperatives  
Wichita, Kansas

**Joseph G. Knapp**  
**Administrator**  
**Farmer Cooperative Service**

## Contents

Page	
1	He has shown sound business ability
2	He is a leader
3	Courageous
3	Enthusiastic
4	He recognizes his obligations
4	Legal responsibilities
5	Moral responsibilities
5	He performs his duties
5	Policymaking
6	Member relations
7	Public relations
8	He sets an example of loyalty
8	By his patronage
8	By attending meetings







# RECOGNIZING THE IDEAL COOPERATIVE DIRECTOR

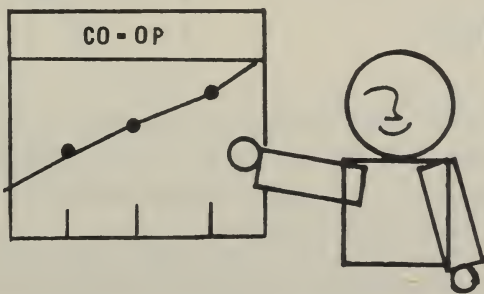
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by Irwin W. Rust,  
Membership Relations Branch  
Management Services Division

"Farmer cooperatives will have the greatest opportunity in their history in the next few years to help the individual farmer improve his economic position. Whether or not they will be able to take full advantage of their opportunities will depend mainly on the caliber of the directors they elect."

Many agricultural leaders agree with the cooperative official who made this statement. Cooperatives now have too much at stake to trust their policymaking and business decisions to directors who have no more to offer than that they are good neighbors and good fellows, or to men a nominating committee high-pressured into serving and who expect to be directors in name only.

Granted, then, that the caliber of directors is vitally important to the success of a cooperative—how can members judge who will or will not be outstanding? What are the qualities that identify an ideal director?

**He Has Shown  
Sound  
Business  
Ability**



The ideal director will certainly be a better than average farm businessman. He will have demonstrated his business ability in handling his personal finances and in his own farm activities. Cooperative members are not likely to respect the views of a board member who has not managed well at home.

These are some of the business-related qualifications of an ideal director, as listed by cooperative officials:

1. Prudent conduct of his own fiscal affairs.
2. Astute business sense.
3. Training in business as well as agriculture.
4. Knowledge of commodities the cooperative handles.
5. Knowledge of the services the cooperative provides.
6. Awareness of general economic and social trends and their implications to cooperatives.

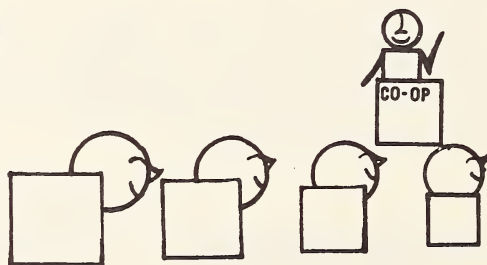
One of the difficulties in finding directors with these qualifications is that many farmers have had neither reason nor opportunity to learn how other businesses operate. As a result, their judgments as directors are based solely on their experience as farmers.

A cooperative leader cites setting wages of cooperative employees as one area in which problems may arise if directors are unfamiliar with current wage levels and business practices. He says, "Some directors, when they first come on the board, think a cooperative employee should not be paid more than a good farmhand."

However, the ideal board member soon realizes that rules applicable to employing farmhands are not always adequate in selecting more sophisticated and highly trained employees.

In an earlier publication in this series, we discussed director development programs.<sup>1</sup> This is a two-way proposition. The ideal director is willing to learn; the cooperative has an obligation to provide an effective training program so he can learn.

## He Is a Leader



The ideal director is a man of stature in the community—a man who has shown leadership ability not only within the cooperative but also through participation in church, school, or community projects.

An officer of a cooperative bank refers to the Boy Scout Law for desirable personal qualifications for a leader. For an ideal director, he would add to this list—firm, consistent, imaginative, practical, and well balanced.

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<sup>1</sup> Rust, I. W., *Creating Training Programs for Cooperative Directors*. Educ. Cir. 22. Farmer Cooperative Service, U. S. Dept. of Agr. July 1965.

A cooperative staff member would add two more qualities. "To be worthy of election to a cooperative board, a man must have ability, ambition, and integrity . . . (but) it seems to me there are two other outstanding requirements for an ideal director. These are courage and enthusiasm."

Many of the qualities of a true leader are so well known and generally applicable that we need discuss them no further here. We shall, however, explain how the ideal cooperative director demonstrates the courage and enthusiasm that help make him a leader.

## Courageous

The ideal director has the courage to voice his honest opinions. He follows his own best judgment when it comes time to vote on an issue. He is willing to stand up and be counted, even when the majority does not agree with him.

"In this great land of ours, the right to differ honestly with our fellow is a very important prerogative. The director who feels that every question before the board demands a unanimous vote is not being realistic. In a sense, he is compromising himself and he is shortchanging the people who placed him on the board." This is the view of a cooperative president.

Not only does the ideal director demonstrate at cooperative meetings that he has the courage of his convictions, he also does so publicly when occasion demands. But he is not arrogant.

"The ideal director speaks up and supports his cooperative if an ugly rumor is started as the result of an incident or some anticooperative movement. He does not remain silent. But if his cooperative has shortcomings, he is broadminded enough to recognize this and to listen for suggestions to correct them," according to one cooperative representative.

## Enthusiastic

An enthusiastic board is a great asset to any organization. If directors are enthusiastic, there is every likelihood that members will show the same spirit.

In a new cooperative, enthusiasm is natural. The board is made up of people who led the drive to create the association. They recognized the need for action, gathered information, and had the determination to see the project through.

As the years go by, members may begin to take the cooperative for granted. One cooperative leader suggests there may be a relationship between a cooperative's policy of electing directors and this problem of maintaining enthusiasm. He says, "Sometimes board members are tried and true but old and



tired. Some have been renominated year after year because it was easier and the members thought it was a nice thing to do . . . On the other hand, the experience of the older men is valuable."

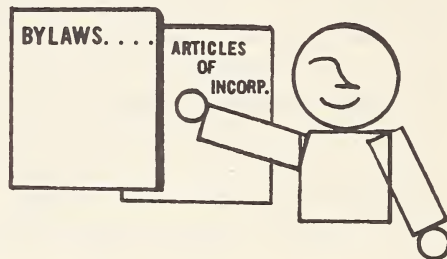
The ideal director, regardless of his years of service on the board, keeps up his own enthusiasm and encourages interest and enthusiasm in others. This is often accomplished through a strong member relations program.

Enthusiasm also includes thinking of the future. One co-operative officer describes this as being imaginative. He wants directors who will seek and support new and better ways of doing old things; who are willing to experiment prudently with new methods and new programs.

Another says, "Directors should be alert to development of new ideas that will contribute to the future success and growth of the cooperative."

In other words, the ideal director dreams a little.

## He Recognizes His Obligations



The ideal director understands that when he became a member of the board he assumed both legal and moral obligations to the cooperative and to his fellow members.

He does not regard these responsibilities lightly.

## Legal Responsibilities

As an officer in a bank for cooperatives points out, "Members elect a director to a position of trusteeship. In effect, they legally place their financial interests in the hands of the elected director."

Directors are bound to strictest good faith in their official relations with the cooperative and are legally liable if they are derelict in their duties.

"The liability of directors of a corporation is not limited to willful breaches of trust or excess of power but extends also to negligence . . .," another banker warns. "The courts are practically unanimous in their general statements that directors must be diligent and careful in performing their duties. They must be more than figureheads."

Many of the legal responsibilities and liabilities of directors are spelled out in bylaws and articles of incorporation. The ideal director, of course, familiarizes himself with these documents and keeps these in mind when making cooperative decisions.

## Moral Responsibilities

The ideal director recognizes that, in addition to his legal obligations, he has an ethical responsibility. He is bound by an honor code.

He must use his authority for the benefit of all members and must take utmost care not to give special advantages to any one of them or to let his judgment be swayed by his personal interests.

A cooperative manager takes this approach. "The ideal board member goes out of his way to assure members that he understands his authority is delegated to him . . . and that he is serving as a trustee of the members . . ."

## He Performs His Duties



The board of directors is the governing body of the cooperative and, as such, is charged with determining its objectives and policies and with the general control and supervision of its business.

In most cooperatives, directors are also expected to take an active part in member and public relations.

## Policymaking

The ideal director is well aware that successful policymaking is rarely intuitive. It is built on knowledge and understanding. He is therefore willing to give time and effort to chairing and serving on committees, attending conferences and institutes, writing reports, reviewing operating and financial statements, and participating in planning and studying for the future.

Although ultimate policymaking authority rests with the board, the ideal director realizes that many tasks can be delegated to others. He therefore helps set up committees to conduct studies and gets the benefits of research as a basis for

making recommendations. He also recognizes the distinction between board and management responsibilities. He trusts management to handle day-to-day operations and to carry out policies once they have been delineated by the board.

## Member Relations<sup>2</sup>

For member relations duties, the ideal director needs certain special qualifications. He should be well informed, able to work well with people, be genuinely interested in promoting the cooperative, have confidence in himself—and with all this have a degree of humility.

### He Listens

One of the ideal director's first undertakings, a cooperative staff member suggests, should be to make a special effort to become personally acquainted with the members of the organization. He should assure them that he wishes to represent their interests and should encourage them to express their opinions for his guidance at board meetings.

And when they do express their opinions, he should listen carefully. As another leader points out, "If a director is going to report members' opinions to the management—and that is one of his important jobs—he must take time to listen. And he must not be too quick to judge. A director can learn a great deal about how members feel toward their cooperative if they think their suggestions are receiving consideration."

To be this kind of a listener, a director needs to temper his self-confidence with humility. "A director who has humility makes each member feel that he is not a cold statistic but is an important person in the cooperative."

### He Informs

Every member has a right to know the policies and objectives of his cooperative and what progress is being made toward stated goals. An ideal director welcomes opportunities to tell members how their association is functioning. And he should be able to tell them specifically, not in vague terms.

An officer of a State association gives this example of the sort of information members may want. "... an ideal director understands and is able to explain to members the economics of a cooperative and its effect on the community. He must be able to explain, for example, how patronage refunds are directly reflected in increased business on Main Street."

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<sup>2</sup> LeBeau, O. R., and Hallberg, O. K. *The Director's Role in Member Relations of a Cooperative*. Educ. Aid 6. Farmer Cooperative Service, U. S. Dept. of Agr. July 1964.



Something less than ideal is a director who turns away from a member seeking information about policies and says, "Go to the manager. I don't know about such things."

He should know about such things. That's part of his job.

## He Is Willing To Help

A proposed merger or reorganization, or a membership campaign can put heavy demands on a director's time, both in the preliminary planning stages and in actually bringing the question before members of the cooperative.

The ideal director does not complain when such situations arise. He responds willingly when he is asked to take over special tasks and, by his attitude, shows members that he considers these activities important and worth the extra effort involved.

To illustrate how directors can improve member relations by their own willingness to help, we quote a staff member who believes the directors of his cooperative have earned an "ideal" rating.

"I could cite instances where our directors have left their tractors in the fields, using valuable farm time to participate in a promotional project without any thought of compensation. . . . When some unexpected conference or emergency meeting is called . . . these dedicated people drop everything and respond."

In addition, these directors have promoted the cooperative so enthusiastically at home that, as the staff member proudly reports, "We now have a relatively new but dedicated ladies auxiliary. About 95 percent of our directors' wives participate actively. . . . The man-and-wife team work together in promotion, in youth work, in 4-H drives, and other activities. Their member and public relations value to the cooperative cannot be measured."

## Public Relations

Ideal directors recognize that they have a public relations mission.

They are convinced of the value of the cooperative to themselves, their neighbors, and to farming in general. Consequently, they are eager to help develop a better understanding in the community of the cooperative's objectives, policies, and benefits. They want to present the facts about the association to the public and to correct any erroneous ideas people may have.

Indeed, the ideal director is not satisfied just to wait to be asked about the cooperative. He seeks opportunities to promote it.



"If a director truly feels his cooperative is providing good service, he will find it easy to take steps to help the association grow," a staff members believes.

"A slogan could very well be—'Every director a friendly salesman.'"

## He Sets an Example of Loyalty



Through his own loyalty to the cooperative, the ideal director sets an example for the entire membership.

We pointed out earlier in this publication that an enthusiastic board of directors inspires enthusiasm in the membership. Likewise, a board that supports the cooperative wholeheartedly and in ways the membership can see (as distinguished from planning and policymaking sessions and intra-board activities) is a powerful force in building loyalty. On the other hand, if directors are lukewarm in supporting the cooperative and its activities, the morale of the association will suffer.

In effect, the ideal director says to the members, "Do as I do." He shows them by his example that he considers the cooperative important and that he is proud of his connections with it.

## By His Patronage

One of the simplest and most fundamental ways of showing loyalty to a cooperative is by making full use of its facilities and services. The ideal director would not even consider doing otherwise.

"There are times when a member may not give full support to his cooperative," a member of a cooperative management staff asserts, "but a director is in a different position. He is not free to shop around.

"Board members should use the cooperative 100 percent."

If they do not, how can they expect the members to be loyal?

## By Attending Meetings

Cooperative officials have emphasized again and again the importance of directors attending meetings—both for the benefit they derive themselves and for the desirable effect this demonstration of loyalty has on morale within the association.

The ideal director considers membership meetings as part of his job.

First of all, as a member of the board, he helps plan the meetings; sees to it that a suitable meeting place is found such as a church, school or Grange Hall; and helps arrange an interesting and worthwhile program.

He attends all meetings himself and reminds others to attend. He may even provide transportation.

He arrives on time.

If he has a report to give, he prepares it carefully in advance and he keeps it short and to the point. He is prepared to answer questions.

He participates in discussions and encourages others to do so.

Thus he sets an example for other members to follow.

We have given you here a sampling of opinions of cooperative leaders on what makes an ideal board member. For a summation, we turn to "Farmers in Business—Studies in Cooperative Enterprise,"<sup>3</sup> by Joseph G. Knapp, Administrator of Farmer Cooperative Service.

"To my mind, the ideal director should be fair, honest, and respected as a man of character. He should be tolerant of other people's opinions, but have opinions himself. He should have a high sense of community responsibility, a belief in cooperative principles. Of course, he should be intelligent, well informed, and industrious. He should speak and listen well and should manage his own farming business well. . . . He should practice what he preaches and support his organization with his patronage."

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<sup>3</sup> Published by American Institute of Cooperation, Washington, D. C. 1963.

## **Other Publications Available**

**Assuring Democratic Election of Cooperative Directors. Educational Circular 21. Irwin W. Rust.**

**Creating Training Programs for Cooperative Directors. Educational Circular 22. Irwin W. Rust.**

**Using Cooperative Directors To Strengthen Member Relations. Educational Circular 23. Irwin W. Rust.**

**What Cooperative Members Should Know. Educational Circular 24. Irwin W. Rust.**

**Directors of Cooperatives and Their Wives—A Good Member Relations Team. Educational Circular 25. Irwin W. Rust.**

**Managing Farmer Cooperatives. Educational Circular 17. Kelsey B. Gardner.**

**Improving Management of Farmer Cooperatives. General Report 120. Milton L. Manuel.**

**Directors of Regional Farmer Cooperatives—Selection, Duties, Qualifications, Performance. General Report 83. David Volkin, Nelda Griffin, and Helim H. Hulbert.**

**Bylaw Provisions for Selecting Directors of Major Regional Farmer Cooperatives. General Report 78. Helim H. Hulbert, David Volkin, and Nelda Griffin.**

**“Mr. Chairman—” Information 6.**

**Membership Practices of Local Cooperatives. General Report 81. Oscar R. LeBeau**

**Making Member Relations Succeed. Information 32. Irwin W. Rust.**

**A copy of each of these publications may be obtained upon request while a supply is available from—**

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